



December 22, 2012

Subject: Comments on “Specifications for the application of the United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources 2009 (UNFC-2009)”

The Society of Petroleum Engineers (SPE) is pleased to see the progress of the UNFC-2009 over the past several years. The SPE has been formally involved since 2006, when a Memorandum of Understanding (MOU) was put in place between the SPE and the United Nations Economic Commission for Europe (UNECE). The UNECE and SPE, via the MOU, mutually agreed that the SPE would be responsible for the development of Specifications and Guidelines for petroleum. The recognized goal of the SPE in entering into the MOU with the UNECE is to promote and facilitate in-depth understanding of its reserves and resource definitions and their universal adoption by the oil, gas, and related industries; international financial organizations; governments; regulatory agencies and reporting bodies.

The SPE, via the SPE Oil and Gas Reserves Committee (OGRC), has delivered its Specification and Guidelines for the application of the UNFC, including reserves and resources definitions, via the issuance of the “Petroleum Resources Management System” (PRMS) in 2007. The PRMS is also sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE) and subsequently endorsed by the Society of Exploration Geophysicists (SEG). The SPE and these other organizations subsequently issued additional guidance in 2011 via the “Guidelines for Application of the Petroleum Resources Management System”. Both of these documents are provided to the UNECE to be the technical specifications for petroleum that underpin the generic specifications that are contained in the UNFC-2009.

The SPE OGRC currently contributes two of its members to the Bureau and the Specifications Task Force of the UNECE Expert Group on Resource Classification (EGRC).

The SPE is providing the following comments on the draft document entitled “Draft Specifications for Application of UNFC-2009” (EGRC/2012/INF.1/PC) during this public comment period to allow transparency regarding the areas of concern that the SPE recommends for consideration.

The Specifications Task Force-2 (STF-2) has reached general consensus on the majority of points, which is a reflection of the similarity of the needs of each of the stakeholders and various commodity groups. However, as noted in the “Cover Letter from Chairman of Expert Group and Director, UNECE Sustainable Energy Division”, there is presently a lack of consensus on certain key areas. The synergistic relationship between the generic specifications of the UNFC-2009 and the commodity specific specifications provided by the PRMS for petroleum must be clearly understood. Without a full appreciation of this linkage, the general commenter may recommend that several key elements that are addressed within the PRMS to be brought forward into the generic specifications.

The areas on which the SPE is providing comment below are all contained within the document EGRC/2012/INF.1/PC:

1. Annex V: Of primary concern is the inclusion of Annex V within the document. The SPE believes that the inclusion of this section dealing with project maturity classes is a significant duplication of definitions that are contained within the PRMS, but with selective revisions that in some cases change the intent of the original PRMS Table 1.

Additionally, any other system that is mapped to the UNFC-2009 in the future may have different sub-classification that will further complicate applicability.

While the SPE is not responding with regard to solid minerals, it is noted that the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) does not use such classes and thus is only applicable to petroleum.

The UNFC-2009 is intended to provide a set of generic specification with the PRMS and CRIRSCO Template providing the detailed specifications under the UNFC-2009 (that is the reason why there have been agreements in place between the UN and the SPE and CRIRSCO for several years). To avoid confusion for the users of UNFC-2009 a bridging document to the underlying system (PRMS) is required. Such a bridging document to the PRMS is being prepared, but has yet to be approved, therefore any use of the UNFC-2009 for petroleum is presently questionable.

In summary, the SPE recommends the deletion of the Annex V. This recommendation supports the principles of the UNFC-2009 providing the general specifications together with the underlying technical specification of the PRMS to effectively allow for the UNFC-2009 to operate for petroleum.

The more elements from the detailed specifications (PRMS) that are selectively brought into the UNFC-2009 will confuse users on the application of the UNFC-2009. It must be clear that the UNFC-2009 cannot be used as stand alone classification system for either petroleum or minerals, but must be linked via the bridging document with an underlying technical specification system i.e., PRMS or the CRIRSCO Template for use.

2. Section IV: National resource reporting – SPE has concern with the following statement: *“regional or national inventory estimates based on UNFC-2009 shall be derived using an appropriate methodology whereby the estimates can be considered to be reasonably comparable, at an aggregate reporting level, to estimates that would have been derived through a detailed project-by-project evaluation had such information been available”*. The SPE supports a comparative outcome basis, but has concern that such evaluations can lead to significantly differing results based on the data available and methodology applied. Stating that the results of the approach will be “reasonably comparable” to a detailed project assessment is not a conclusion that is supported by the SPE.

The SPE recommends that for national resource evaluation the appropriate classifications are derived without providing such statement that the outcome will be “reasonably comparable”.

3. Section VI: Generic specifications: Duplication with the underlying technical specifications in the PRMS is noted in select areas that will cause confusion on the applicability of the UNFC-2009

and also the understanding of the true nature of the link with the underlying technical specification.

The duplication is found in the following:

C. Effective date

F. Reference Point

The SPE recommends the removal of both generic specifications proposed for the application of the UNFC-2009 to avoid duplication with PRMS.

The SPE appreciates the opportunity to provide public comment on the draft specifications and looks forward to achieving a consensus agreement on the above text proposals.

Sincerely,

Daniel DiLuzio

SPE OGRC Member

Member of Strategic Task Force -2 of EGRC

Rawdon Seager

SPE OGRC Chairman

Member of Bureau of EGRC